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GOP Bond Proposal to Diversify Michigan's Economy, Create Job Opportunities Passes Senate

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\$1 billion proposal maximizes investment while minimizing risk to taxpayers

Lansing - The state Senate today approved the Senate Republican's \$1 billion bond proposal designed to diversify Michigan's economy and provide job opportunities for Michigan workers.

"The day after the governor introduced her bond proposal we started committee hearings on it," said Senate Majority Leader Ken Sikkema, R-Wyoming. "Now, just a few weeks later, we have passed an improved version that maximizes investment while minimizing the risk to taxpayers. It is critical we take steps to diversify the state's economic base."

Sikkema said that if approved by voters in November 2005, the bond will help attract entrepreneurs and job providers in competitive edge technologies. These technologies include life sciences, advanced manufacturing, homeland security, nanotechnology and alternative energy technology.

Testimony taken during the committee hearings on the bond proposal has confirmed that bonding, when done properly, can diversify the economy. High unemployment is affecting the whole state; therefore a solution that will bring new job opportunities into all of Michigan's communities is needed.

"We have an unacceptably high unemployment rate in Michigan that is consistently one of, if not the worst, in the nation," said Sen. Valde Garcia, R-Howell, sponsor of Senate Bill 533. "To prevent a reoccurrence of this situation and to protect our children, we must invest in our future now by diversifying the economy."

The Senate plan earmarks at least 50 percent of the bond to be used for life science technology businesses. The plan also limits the amount of administrative costs that can be covered by the bonds to 3 percent.

While the Senate plan calls for a constitutional amendment to allow a vote in an odd-numbered year, it does not allow for the state to take an equity stake in any private companies.

"We have a talented and dedicated workforce in Michigan," Sikkema said. "What we need are entrepreneurs, high-tech businesses and life science companies. We need to reposition Michigan for the new economy. When investors are thinking about where to plant the seeds of growth, they should see Michigan as the most fertile ground available."



STRATEGIC ECONOMIC INVESTMENT FUND Frequently Asked Questions

Why does Michigan need a \$1 billion bond?

Given Michigan's unacceptably high unemployment rate, it is critical that we take steps to diversify the state's economic base. We are seeking a \$1 billion bond to provide Michigan workers and families with a diversified economy and, most importantly, job opportunities. If passed by voters, the bond will help attract entrepreneurs and job providers in competitive edge technologies. These technologies include life sciences, advanced manufacturing, homeland security, nanotechnology and alternative energy technology.

Why not seek a larger bond amount?

Any investment the state makes with taxpayer dollars comes with some inherent risk. We felt that we should maximize our impact on diversifying the economy while minimizing the risk. If the \$1 billion bond initiative is successful, the state can always go back to the voters to approve another one just like it. By keeping the risk manageable, Michigan can reap the rewards of a solid investment without putting taxpayer money at an unreasonable risk.

How are taxpayers protected? Who decides where the money goes?

Taxpayers will be protected through guidelines written into law. All decisions on how to allocate bond dollars will be made through the Strategic Economic Investment Board. Its members will be appointed by the governor, with the advice and consent of the Senate. Board members will be scientists and other industry experts who can conduct qualified peer reviews of proposals. The board will be required to adopt operating standards and comply with the Open Meeting Act and the Freedom of Information Act. At the end of each fiscal year, the board will be required to report on their progress in meeting outcome measures related to grants or loans awarded.

How do we know the money won't be wasted?

The Strategic Economic Investment Board will award bond dollars by following specific and defined parameters. These include:

- Awards will be granted through a competitive process;
- Applications must be peer reviewed with equal weight given to the scientific, technical and commercial merit;
- Preference will be given to Michigan entities;
- Preference will be given to proposals that contribute directly to employment;
- Contracts must have measurable milestones, clear objectives and repayment plans.

What will the money be used for?

The money will be used to encourage the development of competitive edge technologies with a high probability to create jobs in Michigan. Through the Strategic Economic Investment Board, grants will be focused on basic research, applied research, university technology transfer and commercialization. Michigan ranks very high nationally in terms of conducting research, but very low in seeing those research projects turn into commercial enterprises with products on the market.

Why are we doing this?

Michigan continues to lag in the area of job development. We have consistently been at or near the top of the list nationally for a high unemployment rate. By diversifying our economy, we can ensure Michigan workers and families have opportunities to be economically secure in their communities. Government does not create jobs – entrepreneurs and job providers do. However, we believe the bond proposal will spark interest in Michigan workers and resources.

What will we get for our investment?

For our \$1 billion investment, the state of Michigan hopes to gain the attention of entrepreneurs and job providers. The Senate plan earmarks at least 50 percent of the bond to be used for Life Science Technology businesses. Our plan also limits the amount of administrative costs that can be covered by the bond proposal to 3 percent. We want to see a real return for our bond money.

How much will this cost?

Through the sale of general obligation bonds, the state would spend \$1 billion over 10 years to encourage the development of competitive edge technologies in Michigan. The total repayment on these bonds will be \$1.6 billion.

Do we have to raise taxes to pay for this?

No. Under the Michigan Constitution, only the Legislature and the people have the ability to raise taxes. The Strategic Economic Investment Board would not have the authority to raise taxes to finance the \$1 billion bond. Repayment of the bonds will be integrated into the existing state budget.

How does this help all of Michigan?

Testimony taken during the committee hearings on the bond proposal has confirmed that bonding, when done properly, can diversify the economy. High unemployment is affecting the whole state; therefore we need a solution that will bring new job opportunities into all of Michigan's communities. We believe the bond will accomplish this by attracting new competitive edge technologies into our state.

Do we need to amend the constitution?

Yes. Article 9, Section 15 of the Michigan Constitution says voters may consider bond proposals only during general election years (the next one being 2006). In order to have the \$1 billion bond proposal on the November 2005 ballot, we will have to amend the constitution. A voter will be voting on whether to provide an exception to Section 15, with the exception defined as the authorization of the \$1 billion for this specific new fund. This will allow voters to approve the constitutional change and the \$1 billion bond proposal with one vote. Note that this constitutional change will be very narrowly worded so that it will not open the door to more programs of this nature without voter approval.